

**Department of Housing and Community Development
Oversight Performance Hearings
for
Fiscal Year 2002 and Fiscal Year 2003 Budgets**

**Before
The Committee on Economic Development
Harold Brazil, Chairman
Council of the District of Columbia**



**Testimony of Stanley Jackson
Director
Department of Housing and Community Development**

Wednesday, March 12, 2003

GOOD MORNING, CHAIRMAN BRAZIL, MEMBERS OF THE ECONOMIC DEVELOPMENT COMMITTEE AND STAFF. I AM STANLEY JACKSON, DIRECTOR OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (DHCD OR THE DEPARTMENT).

SEATED HERE WITH ME ARE:

?? ROBERT TRENT, CHIEF OF STAFF;

?? PAUL SAVAGE, DEPUTY DIRECTOR, OFFICE OF STRATEGY AND COMMUNICATIONS;

?? ROBERT MULDERIG, DEPUTY DIRECTOR, DIVISION OF RESIDENTIAL AND COMMUNITY SERVICES;

?? HENRY MOSLEY, ASSOCIATE CHIEF FINANCIAL OFFICER FOR BUSINESS SERVICES;

?? WILMA MATTHIAS, DEPUTY DIRECTOR, OFFICE OF PROGRAM MONITORING; AND

?? LAWRENCE CAGER, DEPUTY DIRECTOR, DIVISION OF DEVELOPMENT FINANCE.

I COME BEFORE YOU TODAY TO TESTIFY ON THE DEPARTMENT'S ACTIVITIES, ACCOMPLISHMENTS, AND CHALLENGES DURING FISCAL YEAR (FY) 2002 AND FISCAL YEAR 2003 TO DATE.

WHEN I JOINED THE DEPARTMENT ALMOST 18 MONTHS AGO, THERE WERE SEVERAL MAJOR CHALLENGES. FIRST AND MOST IMPORTANT, THE DEPARTMENT HAD FAILED TO MEET THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT'S (HUD) COMMUNITY DEVELOPMENT BLOCK GRANT SPENDING REQUIREMENTS FOR MANY YEARS. THE DEPARTMENT HAD ALSO LOST \$2 MILLION IN HUD'S HOME INVESTMENT PARTNERSHIP PROGRAM FUNDS (HOME), AS A RESULT OF NOT COMMITTING THE FUNDS TO QUALIFIED PROJECTS IN A TIMELY MANNER. IN ADDITION, DHCD RANKED IN THE LOWER TIER OF THE ADMINISTRATION'S CUSTOMER SERVICE TESTING RESULTS; SUFFERED FROM POOR MANAGEMENT AND LABOR RELATIONS; AND LACKED UP-TO-DATE PROCEDURES AND MONITORING GUIDELINES FOR MANY PROGRAMS.

MANY OF THESE CHALLENGES HAVE BEEN CORRECTED, AND I AM PROUD TO SAY THAT THE DEPARTMENT'S OPERATIONS ARE IMPROVING, AND THAT WE ARE BECOMING A MORE EFFICIENT AND PRODUCTIVE AGENCY.

LET ME DISCUSS SOME OF OUR ACCOMPLISHMENTS IN FY 2002 AND 2003 TO DATE.

I. AGENCY ACCOMPLISHMENTS

FIRST, IN FY 2002, WE MET HUD'S MANDATED COMMUNITY DEVELOPMENT BLOCK GRANT SPENDING REQUIREMENT BY THE JULY 31ST DEADLINE, FOR THE FIRST TIME IN THE HISTORY OF THE AGENCY. THIS WAS ACHIEVED BY CREATING AND MONITORING A SPENDING PLAN, AND REDUCING THE PROCESSING TIME FOR FINANCING THE PRODUCTION OF AFFORDABLE HOUSING UNITS.

NEXT, THE AGENCY IMPLEMENTED A COMPETITIVE PROCESS FOR FISCAL YEAR 2003 SUBRECIPIENT FUNDING. THIS NEW PROCESS CHANGED THE WAY DHCD CONDUCTS BUSINESS. IT BROUGHT FORTH A MORE INCLUSIVE POOL OF APPLICANTS, ALLOWED THE AGENCY TO RECEIVE PROPOSALS THAT WERE MORE COMPREHENSIVE, ENABLED DHCD TO LEVERAGE MORE DOLLARS, AND TARGETED MORE DEVELOPMENT IN SPECIFIC AREAS.

OUR COMPETITIVE PROCESS INCLUDED THE ISSUANCE OF BOTH (1) A REQUEST FOR APPLICATIONS (RFA) FOR RESIDENTIAL AND COMMUNITY SERVICE ACTIVITIES, AND (2) A REQUEST FOR PROPOSALS (RFP) FOR DEVELOPMENT PROJECTS. WE ALSO IMPLEMENTED THE HOUSING PRODUCTION TRUST FUND WHICH ENABLED US TO INCLUDE BOTH FEDERAL DOLLARS AND THE HOUSING PRODUCTION TRUST FUND (LOCAL)DOLLARS IN THE

NOTICE OF FUNDS AVAILABLE (NOFA) FOR DEVELOPMENT PROJECTS.

***RFA:* WE RECEIVED APPLICATIONS TOTALING \$24 MILLION FOR \$7.3 MILLION IN AVAILABLE FUNDING FOR COMMUNITY-BASED HOUSING COUNSELING PROGRAMS AND OUR NEIGHBORHOOD DEVELOPMENT ASSISTANCE PROGRAM (NDAP) ACTIVITIES. FROM THESE APPLICATIONS, OUR PANEL OF INDEPENDENT REVIEWERS QUALIFIED PROPOSALS TOTALING \$11 MILLION. DHCD MADE THE FINAL DECISIONS ON THE PROPOSALS, BASED ON FUNDING LEVELS TO BE DEDICATED TO SPECIFIC ACTIVITIES AND THE NEED FOR FUNDING CERTAIN ACTIVITIES IN TARGETED NEIGHBORHOODS. THE DEPARTMENT ANNOUNCED FY 2003 GRANT AWARDS TOTALING \$5.3 MILLION FOR FOURTEEN (14) NEIGHBORHOOD REVITALIZATION PROJECTS AND NEARLY \$2 MILLION FOR SEVEN (7) COMMUNITY-BASED HOUSING COUNSELING ORGANIZATIONS.**

***RFP:* IN RESPONSE TO THE REQUEST FOR PROPOSALS FOR AFFORDABLE HOUSING AND COMMERCIAL PROJECTS AND FOR COMMUNITY DEVELOPMENT PROJECTS, WE RECEIVED FIFTY-NINE (59) PROPOSALS TOTALING \$90 MILLION FOR \$25 MILLION IN AVAILABLE FUNDS. AFTER REVIEW BY AN INDEPENDENT PANEL, TWENTY-SEVEN (27) PROPOSALS WERE SELECTED FOR FURTHER EVALUATION AND UNDERWRITING.**

AS A RESULT OF THE SUCCESS OF THE RFA AND RFP PROCESS, DHCD PLANS TO USE THE COMPETITIVE APPLICATIONS FOR FUNDING ITS PROJECTS AND PROGRAMS IN FISCAL YEAR 2004.

THE DEPARTMENT HAS ALSO ACCOMPLISHED MANY MANAGEMENT IMPROVEMENTS IN ITS PROGRAMS AND OPERATIONS:

~~WE~~ WE INSTITUTED MONTHLY SITE-VISITS, AND QUARTERLY MONITORING REVIEWS OF OUR NEIGHBORHOOD REVITALIZATION AND HOUSING COUNSELING SUBRECIPIENTS.

~~WE~~ WE INITIATED INDEPENDENT REVIEWS OF PROGRAMS THAT HAVE NOT BEEN ASSESSED FOR MANY YEARS, SUCH AS THE EMERGENCY SHELTER GRANT PROGRAM AND THE LOW-INCOME HOUSING TAX CREDIT PROGRAM. THESE REVIEWS LAID THE FOUNDATION FOR IMPROVING OUR COMPLIANCE WITH ESG REGULATIONS, AND PROVIDED US WITH A QUALIFIED LOW INCOME HOUSING TAX CREDIT ALLOCATION PLAN.

~~WE~~ WE HAVE BECOME COMPLIANT WITH HUD REGULATIONS, REGARDING NDAP, AND ARE WORKING ON BECOMING COMPLIANT IN OTHER PROGRAMS, SUCH AS THE HOME PROGRAM.

~~AND,~~ AND, WE HAVE IMPROVED OUR GRANT AND LOAN AGREEMENTS TO INCLUDE SPECIFIC MEASURABLE PERFORMANCE AND REGULATORY REQUIREMENTS.

TO SUPPORT THESE IMPROVEMENTS, WE HAVE BEGUN TO DEVELOP WRITTEN PROCEDURES FOR MONITORING ACTIVITIES, AND WE HAVE STAFFED A NEW DEVELOPMENT FINANCE DIVISION MONITORING TEAM AND FEDERAL FUNDS COORDINATOR POSITION. THIS STAFFING WILL HELP ENSURE THAT OUR FUNDS ARE COMMITTED AND SPENT TIMELY, AND THAT WE MEET OUR LONG-TERM MONITORING REQUIREMENTS FOR COMPLETED PROJECTS (IN COMPLIANCE WITH HOME PROGRAM REGULATIONS).

WE HAVE ALSO BEGUN TO APPROPRIATELY MANAGE OUR SPENDING OBLIGATIONS FOR ACTIVITIES BY REGULARLY RECONCILING THE DISTRICT'S SYSTEM OF ACCOUNTING AND REPORTING (SOAR) AND HUD'S INTEGRATED DISBURSEMENT AND INFORMATION SYSTEM (IDIS). ADDITIONALLY, WE HOLD WEEKLY MEETINGS ON THE STATUS OF PROJECT ACTIVITY, EXPENDITURE LEVELS, AND PERFORMANCE GOAL ATTAINMENT.

IN THE HUMAN CAPITAL AREA, I HAVE HIRED A NEW MANAGEMENT TEAM AND HAVE ESTABLISHED A TRAINING PROGRAM FOR MANAGERS, SUPERVISORS, AND FRONT-LINE STAFF. WE HAVE IMPROVED RELATIONS WITH THE LABOR UNION, AND NOW HAVE A LABOR MANAGEMENT PARTNERSHIP COMMITTEE TO JOINTLY RESOLVE SEVERAL AGENCY ISSUES. WE CURRENTLY DO NOT HAVE ANY LABOR DISPUTES.

II. CHALLENGES

WHILE WE HAVE MADE TREMENDOUS PROGRESS, WE HAVE MANY CHALLENGES FACING US, INCLUDING THE CURRENT HOUSING MARKET, RESOURCE AND REGULATORY CHANGES, AND INHERITED COMPLIANCE ISSUES.

WE HAVE EXPERIENCED SEVERAL BUDGET CUTS RECENTLY. OUR CDBG FUNDS WERE REDUCED BY \$1 MILLION FOR FY03, AND OUR LOCAL APPROPRIATED BUDGET WAS REDUCED BY \$2.2 MILLION. THESE REDUCTIONS AFFECT THE AFFORDABLE HOUSING PRODUCTION AND THE EFFORT TO EXPAND AFFORDABLE OWNERSHIP OPPORTUNITIES. FOR EXAMPLE, RECENT STATISTICS INDICATE THAT THE MEDIAN HOUSING PRICE ROSE FROM ABOUT \$175,000 IN 2000 TO \$280,000 IN 2002. CONSEQUENTLY, THE COST TO BUILD AFFORDABLE HOUSING FOR LOW- AND MODERATE INCOME PERSONS HAS BEEN AFFECTED. THE ABILITY FOR LOW AND MODERATE INCOME PERSONS TO QUALIFY FOR HOME PURCHASES EVEN WITH THE DEPARTMENT'S DOWN PAYMENT AND CLOSING COST ASSISTANCE HAS ALSO BEEN IMPACTED.

WE ARE CHALLENGED WITH IMPLEMENTING SOME RECENT REGULATIONS, AND RESOLVING INHERITED COMPLIANCE ISSUES. FOR EXAMPLE, HUD'S NEW LEAD BASED PAINT REGULATIONS REQUIRE THAT HOME IMPROVEMENT CONTRACTORS MUST

HAVE SPECIFIC TRAINING OR CERTIFICATION IN LEAD HAZARD ABATEMENT TO WORK ON REHABILITATION PROJECTS ASSISTED WITH FEDERAL FUNDS. ALSO, WE ARE CURRENTLY WORKING WITH HUD ON A PROPOSAL FOR THE REPAYMENT OF THE REMAINDER OF \$7 MILLION IN DISALLOWED CDBG EXPENDITURES FROM 1992. ONLY \$1.5 MILLION HAS BEEN REPAID TO DATE.

III. LOOKING FORWARD

I HAVE PRESENTED SOME OF THE DEPARTMENT'S RECENT ACCOMPLISHMENTS AND CURRENT CHALLENGES. AT THIS TIME, I WISH TO SHARE WITH YOU MY VISION FOR THE AGENCY.

FIRST, I WOULD LIKE TO BUILD NEW PARTNERSHIPS IN THE FUNDING AND DEVELOPMENT COMMUNITY FOR GREATER LEVERAGING, RESOURCE UTILIZATION, AND PERFORMANCE OUTCOME. AS THE AGENCY CONTINUES TO STRENGTHEN ITS RELATIONSHIP WITH EXTERNAL PARTNERS, I WOULD LIKE THOSE ENTITIES TO ASSIST IN CREATING NEW AND INNOVATIVE FINANCIAL MECHANISMS TO FACILITATE THE CREATION OF ADDITIONAL AFFORDABLE HOUSING.

SECOND, I WANT TO ENSURE THAT THE CITIZENS CONTINUE TO HAVE A VOICE IN DIRECTING THE DEPARTMENT'S EFFORTS. THIS MEANS CONTINUED PARTICIPATION IN THE ADMINISTRATION'S

**NEIGHBORHOOD ACTION EFFORTS; CONTINUED
RESPONSIVENESS TO PUBLIC NEEDS HEARINGS; AND FULL
IMPLEMENTATION OF OUR AMBASSADOR'S PROGRAM, WHICH
BRINGS DHCD STAFF OUT INTO THE COMMUNITY FOR
EDUCATION AND DIALOGUE.**

**THIRD, I WILL CONTINUE TO FOCUS OUR DEVELOPMENT AND
NEIGHBORHOOD REVITALIZATION ACTIVITIES STRATEGICALLY
BY ALLOCATING THE DEPARTMENT'S LIMITED RESOURCES TO
AREAS THAT ARE ALSO TARGETED BY OUR PARTNERS. FOR
EXAMPLE, IN FY 2004 OUR NEIGHBORHOOD REVITALIZATION
STRATEGY AREAS (NRSA), GEORGIA AVENUE, AND CARVER
TERRACE/IVY CITY/TRINIDAD, WILL CONTINUE TO BE TARGETED
FOR CONCENTRATED INVESTMENT SO THE COMMUNITY CAN SEE
VISIBLE CHANGE.**

**IN CONCLUSION, WE WILL CONTINUE TO STRENGTHEN OUR
MANAGEMENT OF PROGRAMS AND OPERATIONS BY:**

- (1) IMPROVING OUR USE OF TECHNOLOGY, BOTH AS A
MANAGEMENT AND REPORTING TOOL AND TO ENHANCE
PRODUCTIVITY;**
- (2) IMPROVING OUR MONITORING OF SUBRECIPIENTS, PROJECTS,
AND ACTIVITIES; AND**
- (3) SHARPENING THE SKILL LEVELS OF OUR STAFF THROUGH
IDENTIFIED TRAINING OPPORTUNITIES.**

**COUNCILMEMBER BRAZIL, THIS CONCLUDES MY TESTIMONY
AND I WILL BE HAPPY TO ANSWER ANY QUESTIONS THAT YOU
MAY HAVE. THANK YOU.**